

**Department of Economic and Community Development
and Related Entities**

June 1999

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June 9, 1999

The Honorable John S. Wilder
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Senate Committee on Government Operations
The Honorable Mike Kernell, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the Department of Economic and Community Development and five related entities. This audit was conducted pursuant to the requirements of Section 4-29-111, *Tennessee Code Annotated*, the Tennessee Governmental Entity Review Law.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the department and the related entities should be continued, restructured, or terminated.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/dw/rm
98/051

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit
**Department of Economic and Community Development
and Related Entities**
June 1999

AUDIT OBJECTIVES

The objectives of the audit were to review the department's and the entities' legislative mandates and the extent to which they have carried out those mandates efficiently and effectively, and to make recommendations that might result in more efficient and effective operation of the department and related entities.

FINDINGS

Child Care Facilities Corporation Has Had Minimal Impact on Child Care Availability

The corporation does not have sufficient funds or staff to significantly affect the availability of child care. The purpose of the corporation is to assist in the start-up, expansion, improvement, or continued operation of child care facilities by guaranteeing loans from the private sector and by issuing loans and grants. The corporation assisted in the creation of three percent of the new licensed spaces added from October 1991 to March 1998 (page 7).

A TIIP Grant Was Made Twice for an Amount in Excess of the Statutory Limit

Despite statutory guidelines limiting the maximum grant amount to \$750,000, the Tennessee Industrial Infrastructure Program twice granted one recipient a greater amount. Exceeding statutory limits may decrease the total number of potential grants awarded (page 10).

Training Funds Were Paid to a Corporation That Did Not Conduct Any Training

The department awarded over \$450,000 in industrial training services funds to a private, not-for-profit corporation for non-training services (page 11).

Statutory Changes Need to Be Made Regarding Related Entities

Several entities associated with the department have very little or no activity: the Tennessee Growth Fund, the Tennessee Neighborhood Development Corporation, the Tennessee Competitive Export Corporation, the Energy Advisory Board, and the International Trade and Export Development Advisory Council (page 12).

OBSERVATIONS AND COMMENTS

The audit also discusses the Three Star Program, a program to assist small communities in their efforts to prepare for economic development by enhancing their appeal as locations for economic enterprises (page 6).

ISSUES FOR LEGISLATIVE CONSIDERATION

The General Assembly may wish to (1) consider the future of the Tennessee Child Care Facilities Corporation, (2) put the corporation in the Governmental Entity Review Law, (3) terminate the Tennessee Growth Fund and the Tennessee Neighborhood Development Corporation, and (4) delete the Tennessee Competitive Export Corporation, the Energy Advisory Board, and the International Trade and Export Development Advisory Council from state law (page 15).

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

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**Performance Audit
Department of Economic and Community Development
and Related Entities**

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**Performance Audit
Department of Economic and Community Development
and Related Entities**

INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of the Department of Economic and Community Development and five related entities was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-220, the Building Finance Committee, the Tennessee Board for Economic Growth, and the Tennessee Growth Fund, Board of Directors, are scheduled to terminate June 30, 1999. Under Section 4-29-221, the department, the Tennessee Neighborhood Development Corporation, and the Tennessee Science and Technology Advisory Council are scheduled to terminate June 30, 2000. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the department and entities and to report to the Joint Government Operations Committee of the General Assembly. This performance audit is intended to aid the committee in determining whether the department and related entities should be continued, restructured, or terminated.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to determine the authority and responsibility mandated to these entities by the General Assembly;
2. to determine the extent to which these entities have met their legislative mandates;
3. to evaluate the efficiency and effectiveness of these entities; and
4. to recommend possible alternatives for legislative or administrative action that may result in more efficient and effective operation of the entities.

SCOPE AND METHODOLOGY OF THE AUDIT

The entities' activities and procedures were reviewed for the period January 1995 through October 1998. The audit was conducted in accordance with generally accepted government auditing standards and included

1. review of applicable legislation, department policies and procedures, and meeting minutes of various boards and councils;
2. attendance at relevant legislative and department committee meetings;
3. examination of the department's records, files, reports, and information summaries;
4. audit reports from other states and reports by the Office of Research, Comptroller of the Treasury; the Board for Economic Growth; and the General Accounting Office; and
5. interviews with department staff, staff of other state and non-state agencies that interact with the Department of Economic and Community Development, and members of various boards and councils affiliated with the department.

This audit did not include the activities of the Tennessee Film, Entertainment, and Music Commission or the Office of Business Enterprise which will be reviewed later.

Organization and Statutory Duties

Department of Economic and Community Development

The Department of Economic and Community Development was created in 1972 to coordinate the development of services to communities, businesses, and industries in the state. According to Section 4-14-105, *Tennessee Code Annotated*, the department shall "promote the location of additional industries and businesses in the state and shall increase employment opportunities for all elements of the state's population." The department is authorized to conduct research, disseminate information, provide advice and technical assistance, and cooperate with the University of Tennessee and other schools in the state "in the interest of industrial experimentation and education." A commissioner, who is assisted by a deputy commissioner and four assistant commissioners, heads the department (see organization chart). For fiscal year 1998, the department had a staff of 221 and a budget of \$71,056,000.

Tennessee Business Services

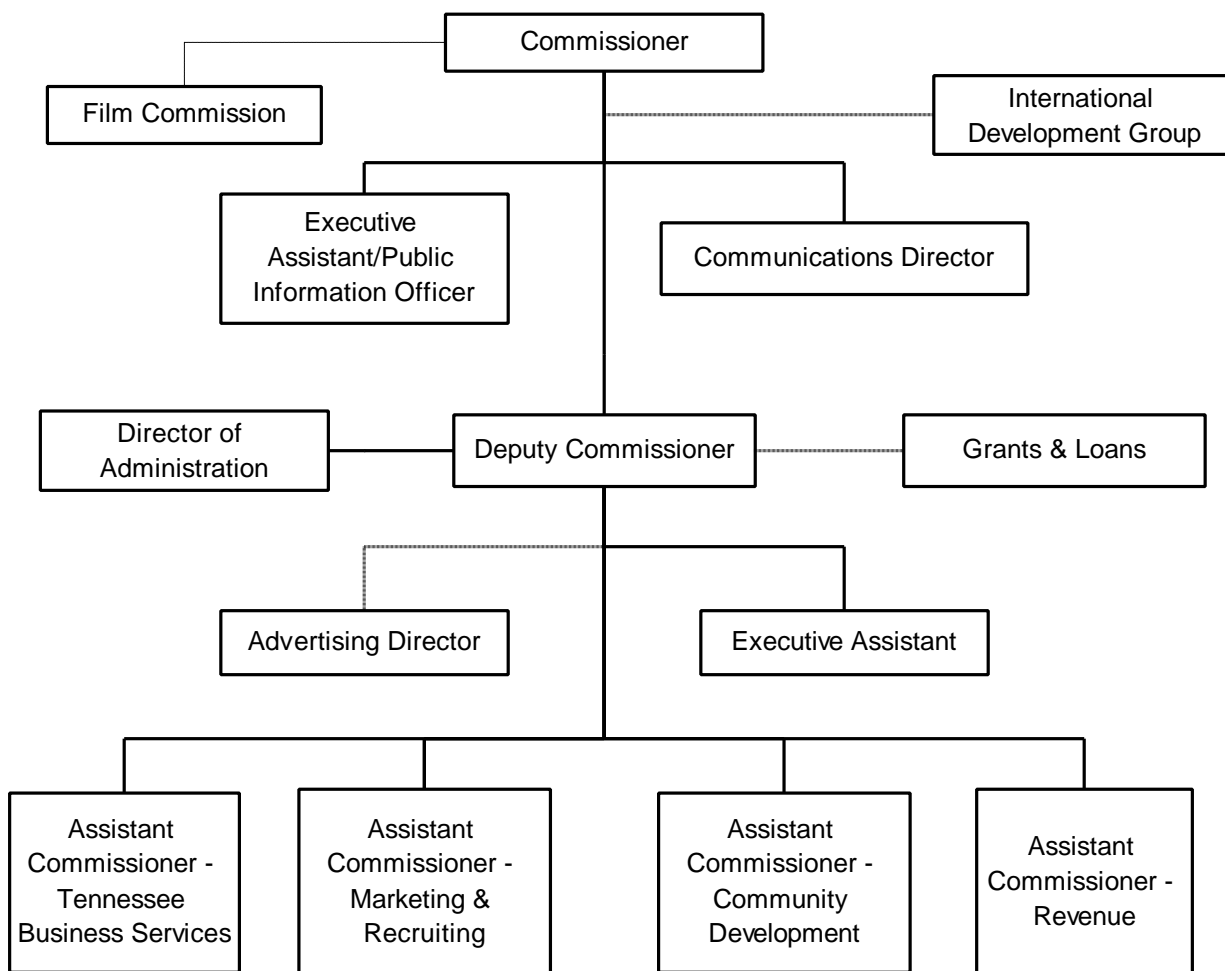
This division consists of four segments: Manufacturing Services, Small Business Services, Minority Affairs, and the Tennessee Technology Corporation. The division provides services and assistance to existing business.

Marketing and Recruiting

This division contains four contact areas for new industry and business considering locating in Tennessee: Marketing, Research, Special Projects, and Industrial Training Services. Marketing is responsible for attracting and working with industries desiring to locate in Tennessee

and then referring these organizations to specific areas of the department, such as Industrial Training Services, for further assistance.

Department of Economic and Community Development



Community Development

This division consists of three segments: the Three-Star Program, which recognizes those communities that have prepared for industry; the Local Planning section, which works with municipal and county planning commissions; and the Energy section, which administers federal Department of Energy grant and loan programs.

Revenue

An assistant commissioner heads this division and provides advice on tax issues to new businesses considering locating in the state.

Deputy Commissioner

Besides the four divisions discussed above, the deputy commissioner is also over Administration and Grants and Loans. The Administration Division consists of Fiscal, Personnel, and Information Services. The Grants and Loans Division includes administration of the Community Development Block Grants, the largest grant and loan program of the department. This federally funded program distributed over \$26 million in grants or loans during fiscal year 1998. Grants are designated for projects in the public sector and loans benefit a particular business. Additional grant or loan programs include: Appalachian Regional Commission Program for public-sector grants to the 50 Appalachian counties; Industrial Development loans to small communities to finance public facilities which will support industrial development; and the Tennessee Industrial Infrastructure Program (TIIP), a loan/grant program that uses state funds for infrastructure, site development, and industrial training. TIIP money is used when a business has made a commitment to locate, expand, create or retain jobs, or make an investment in the state. For fiscal year 1998, over \$11 million was distributed through TIIP grants or loans.

Related Entities

Several entities are attached to the department and are discussed below and in finding 4.

Tennessee Board for Economic Growth

Authorized by Section 4-14-101, *Tennessee Code Annotated*, the board advises the Governor in establishing all major policy decisions for the department, reviews and recommends the department's budget and items that promote pro-business initiatives to the Governor and General Assembly, recommends necessary organizational changes in the department to the commissioner, and promotes the exchange of information between all levels of local and state government.

The Board for Economic Growth meets quarterly and appears quite active. The board appears to have a significant impact on the mission and objectives of the department. For example, it produced for the Governor *Opportunity 21*, an economic vision for growth and prosperity.

The board has ten members appointed by the Governor—three members from each grand division and one at-large member. The members are required to have experience in economic development or industry. The board also has eight *ex officio* members: the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, the Commissioners of Economic and Community Development and Agriculture, the President of the University of Tennessee, the Chancellor of the Board of Regents, and a representative of the Tennessee Valley Authority.

Tennessee Science and Technology Advisory Council

Authorized by Section 4-14-201, *Tennessee Code Annotated*, the council meets four to five times a year and advises the commissioner, the Governor, and the General Assembly on the development of scientific and technological goals, the scientific and technological advances that would lead to job creation and growth, and technological initiatives that can be transferred into the public and private sectors. This council is also overseeing the creation of the Tennessee Technology Development Corporation.

The council has nine members. Five members are appointed by the Governor, two by the Speaker of the Senate, and two by the Speaker of the House of Representatives. Members are required to be accomplished scholars or practitioners of science and technology.

Building Finance Committee

Authorized by Sections 4-14-109 and 7-53-307, *Tennessee Code Annotated*, the committee is empowered to determine whether any municipality shall have the right to issue bonds based on the full faith and credit of the municipality as surety for the payment of principal and interest on bonds. The committee appears to serve the department well in approving the issuance of certificates of public purpose and necessity, required for municipalities to issue bonds. Seventeen applications came before the board and were approved between January 1995 and September 1998. It appears that the committee performs in accordance with statute and departmental regulations.

The vice chair of the Board for Economic Growth serves as the committee's *ex officio* chair. Six additional members (two from each grand division of the state) are required to have experience in investment finance or industry and are appointed by the Governor.

OBSERVATIONS AND COMMENTS

The issue discussed below did not warrant a finding but is included in this report because of its effect or potential effect on the department's operations and on the citizens of Tennessee.

THREE-STAR PROGRAM

The Three-Star Program is designed to assist small communities in their efforts to prepare for economic development by enhancing their appeal as locations for economic enterprises. Criteria for certification as a Three-Star community include organization, education, workforce, community, and economic development.

Although the commissioner considers the Three-Star Program one of the department's best programs, several aspects of the program need fine-tuning. Program staff could consider including in the home office files more documentation of activities in the communities— problems being encountered, consultant and committee reviews, notes of conversations, etc. Currently, almost all communication is oral. Better documentation would provide a paper trail so that others, especially the assistant commissioner, can be apprised of current activities and the history behind them, and such records would be useful in case of disputes or a change in leadership or staff.

Although programs of the community development division are discussed every year during a two-day retreat, the Three-Star Program is reviewed only once in four years by a special committee. Also, in each of the six program districts, the community development consultant decides what activities would fulfill its minimum requirements, an inconsistency that leads to six different Three-Star programs across the state. Management might, therefore, want to consider creating a permanent advisory council that would meet annually to review and to recommend program criteria and to ensure their equitable application.

The current Three-Star program does not require communities to set specific performance goals and show positive action in each category of economic/community development. Without such a requirement, communities have only to show a program is in place—not whether the community is actively pursuing a specified goal that would positively affect the community. The department could also consider more incentives, such as extra consideration for Tennessee Industrial Infrastructure Program funds or grants for marketing, for communities that take part and continue in the Three-Star program.

FINDINGS AND RECOMMENDATIONS

1. The Child Care Facilities Corporation has had minimal impact on child care availability

Finding

The Child Care Facilities Corporation does not have sufficient funds or staff to significantly affect the availability of child care. The purpose of the corporation is to assist in the start-up, expansion, improvement, or continued operation of child care facilities by guaranteeing loans from the private sector and by issuing grants and loans.

In 1991, in an internal memorandum to the commissioner, the director of the Grants and Loans Division suggested that loan guarantees have only minimal impact on child care problems in Tennessee because of the insignificance of the fund amount and lack of staff to work statewide. Since 1991, the corporation issued an average of two loan guarantees and four direct loans per year. The corporation assisted in the creation or enhancement of three percent of the new licensed spaces added from October 1991 to March 1998. The 1991 memorandum also suggests that loan servicing and related tasks cannot be adequately performed with existing staff and that it would not be cost-effective to also have a direct loan program because of the costs of loan agreements, loan servicing, attending to problem loans, foreclosures, and other banking functions. The 1991 memorandum recommends eliminating the corporation's board, citing millions of dollars administered elsewhere in the department without the involvement of a management board. For example, the Tennessee Industrial Infrastructure Program has a commitment of over \$60 million in TIIP and training (ITS) money administered without a corporation and board.

A 1997 memorandum from the assistant commissioner for the Tennessee Business Services Division to the corporation board members discussed recommendations for the child care program, including freezing the guarantee program for a year and a half, freezing the direct loan program, and pursuing additional appropriations. As of February 1998, the original \$1,000,000 (of which \$277,286 had been used for direct loans) had declined to \$682,814. According to the corporation's 1997 annual report, the loan guarantee program reached its maximum lending capacity by 1996, limiting any additional program funding to federal dollars. There were no new guarantees in 1997 or 1998. The corporation made one loan for \$25,000 in 1998 using federal funds. Because the fund level must be maintained at \$1 million, there is no money available for direct loans or loan guarantees other than federal money. The program has not received any additional state appropriations since inception, although the fund level has been below \$1 million since fiscal year 1994 and the statute allows the corporation to make an annual request for refunding. Each year, the department requested appropriations to replenish the original \$1 million, but the requests were not approved by the Governor's office or subsequently granted by the General Assembly. In addition, the corporation has requested additional appropriations since fall 1997.

Thirteen direct loans totaling \$163,838 and eight direct Community Development Block Grant loans totaling \$49,862 were outstanding as of February 1999. In addition, \$172,444 had been distributed or planned to be distributed as corporate/community partnership grants. When corporation loans are not available staff refer applicants to the Small Business Administration, Tennessee Valley Authority, United States Department of Agriculture, Farm and Home Administration, city or county lending authorities, or to traditional banks or savings and loans.

The corporation was housed in the Department of Economic and Community Development until July 1998 when it was transferred to the Department of Human Services. (The Governor signed the executive order for the transfer in September 1998.) The corporation board has nine members:

- Governor or designee
- Commissioner of Economic and Community Development or designee
- Commissioner of Human Services or designee
- State Treasurer or designee
- Comptroller of the Treasury or designee
- Four members appointed by the Governor—two from Tennessee business and industry at large, one from the daycare industry, and one from the financial industry

Recommendation

The General Assembly may wish to consider the future of the Tennessee Child Care Facilities Corporation. Options include allowing the present level of activity to continue, increasing funding, or discontinuing the program.

The General Assembly may wish to consider putting the corporation in the Sunset law with a termination date.

Management's Comments

Department of Economic and Community Development

We concur with the recommendations in the audit report. We recommend the Department of Human Services be consulted for further comments since this program was transferred to Human Services on July 1, 1998.

Department of Human Services

We concur in part.

The department has had oversight of the Tennessee Child Care Facilities Corporation (TCCFC) since July 1998. We have concluded, as well, that the corporation's impact has been limited in recent years by insufficient funds in two areas: the direct loan program and, to a lesser extent, the loan guarantee program. (Please note, however, that the current limit on loan guarantees has been set by TCCFC Board policy at approximately 2.5 times the remaining loan balance. By statute, TCCFC may guarantee up to 5 times the balance, plus income, less expenses.)

Placing the Corporation into Sunset law provisions may be appropriate.

The department does believe TCCFC's mission is important. That mission is also complementary to our childcare and Families First programs' missions and services. For example, with the advent of welfare reform (Families First) the demand for childcare has increased. Most of the people starting or expanding childcare operations to meet this demand are small business owners. Many do not have previous business experience. The value of the corporation is not solely in guaranteeing or making loans and providing grants, but also in providing advisory services and technical assistance to current and prospective child care operators to improve their business expertise and practices. The importance of these services was documented and included in the recommendations of the 1996 Governor's Task Force on Child Care.

The federal dollars the department has made available to TCCFC are not insignificant: up to \$500,000 for direct loans and Community/Corporate Partnership grants. The loans with federal dollars, however, cannot be used for construction or purchase of property. Since the department has provided oversight, TCCFC has provided or approved four loans and three grants totaling \$90,000 and \$45,000 respectively. As a result, 423 additional spaces have been created.

With the involvement and direction of TCCFC's board, the department hopes to assist and guide the corporation by focusing on the following:

1. improving operational procedures, record-keeping, and documentation;
2. revising loan rates and terms to improve revenues and shorten long-term obligations;
3. expediting loan processes to improve applicant service and take better advantage of the federal dollars available for loans and grants;
4. evaluating the cost-effectiveness of outsourcing loan development and servicing (DHS does not have loan officers or specialists) as an alternative to adding staff;
5. establishing a reasonable operating budget based on the Corporation's purposes and strategic goals; and
6. assisting the Board in preparing its next annual appropriations request based upon a sound strategic plan and reasonable operating budget.

The department recommends the activities of TCCFC continue through the end of calendar year 1999. The department and the corporation expect to have the above referenced measures instituted by that time. A complete assessment of the future options for TCCFC could then more appropriately be made.

2. A TIIP grant was made twice for an amount in excess of the statutory limit

Finding

Despite statutory guidelines limiting the maximum grant amount to \$750,000, the Tennessee Industrial Infrastructure Program (TIIP) twice granted one recipient more than the maximum. The purpose of the TIIP program is to make grants and loans to local governments and businesses for infrastructure projects that encourage job creation and/or retention. Legislation enacted in the 1996 session reduced the maximum loan or grant amount from \$1,000,000 to \$750,000 for applications received after June 15, 1995. The program makes, on average, 41 grants a year. It has only made two loans since the program began in 1988.

A review of 40 files of active TIIP grant recipients showed that Shelby County received two successive grants greater than the statutory limit. The application for the first fiscal year, received January 26, 1996, resulted in a grant of \$1,000,000 approved by the loan committee on February 15, 1996. The grant application for the second fiscal year, received January 21, 1997, resulted in a grant of \$896,160 approved at the loan committee meeting on February 27, 1997. Both grants were subject to the \$750,000 maximum.

Apparently program guidelines were not applied to all applicants and may call into question the loan committee's objectivity. Additionally, exceeding statutory limits may decrease the total number of potential grants awarded. According to the department, controls have been tightened to ensure that procedures are followed in the future.

Recommendation

The department should adhere to statutory guidelines when awarding TIIP money.

Management's Comment

We concur that we should adhere to statutory guidelines when awarding TIIP money. The department is developing new language regarding changes in the statutory guidelines.

3. Training funds were paid to a corporation that did not conduct any training

Finding

Industrial Training Services (ITS) is an incentive program that helps new and expanding industries train a new workforce. According to the appropriations acts, industrial training funds can be used only to support the training of new employees for new or expanding industries or the retraining of employees because of new machinery or production processes.

Tennessee Tomorrow, Inc., a private, not-for-profit corporation, received \$478,355 from ITS: \$142,000 in fiscal year 1995, \$167,000 in fiscal year 1996, and \$169,355 in fiscal year 1997—6.7% of 1995-96 ITS training expenditures and 4.3% of 1996-97 expenditures. However, the state's contract with Tennessee Tomorrow does not require the corporation to provide any training. Instead, the contract requires Tennessee Tomorrow

(1) to support communities that invest in themselves to achieve and sustain globally competitive jobs for their citizens; (2) to build [a] strategic vision based on hard facts to charter a course for Tennessee to stay ahead in the national and international market place; and (3) to develop partnerships with critical public, private, and academic leaders to ensure that the scarce resources they manage are used to maximum market-driven effectiveness.

The contract terms appear to violate legislative requirements that the funds be used only for training.

Although the contract also requires documentation for all charges against the state, an annual report of activities funded, and audited financial statements, no annual reports or audited financial statements (except one for December 1994) are on file in the department. In fact, the department has no documents detailing what the corporation did with the money, in part because Tennessee Tomorrow combined the ITS funds with private sector funds and did not account for the ITS funds separately.

Recommendation

The department should ensure Industrial Training Services funds are used only for training projects.

Management's Comment

We neither agree nor disagree with this finding. The former administration committed this department for \$500,000 over a three-year period to be paid to Tennessee Tomorrow. At the time the department was requested to make the payments, the previous administration made the decision to put it in the Industrial Training allotment code. It could have been paid in a different

allotment code, but it was believed that this was the best fit. There was no intent to mislead or misuse funds.

4. Statutory changes need to be made regarding related entities

Finding

The continued need for several entities is questionable. The following entities associated with the department have very little or no activity.

Tennessee Growth Fund

Authorized by Sections 4-17-201 to 206, *Tennessee Code Annotated*, this fund was established in 1989 to make loans to finance projects that have the potential of creating new jobs or retaining current jobs within the state. The fund is to be governed by a board of directors consisting of the commissioner or his representative and four others appointed by the Governor.

The fund did provide several grants and two loans until the legislature, in 1995, passed a statute to return all remaining money to the general fund. One of the loans (for \$125,000) was paid back, but the other loan (for \$948,000) had not been repaid as of February 1999.

Tennessee Neighborhood Development Corporation

Authorized by Section 13-13-103, *Tennessee Code Annotated*, this corporation was established in 1987 as a way to develop community resources and assist local neighborhood development corporations. The corporation is placed in the department for administrative purposes only and is not subject to its supervision or control. Board members are the Commissioners of Economic and Community Development, Labor, Human Services, Employment Security, Education, and other persons as may be appointed by the Governor. The corporation has neither met nor had appropriations since 1995.

Tennessee Competitive Export Corporation

Authorized by Section 13-27-103, *Tennessee Code Annotated*, this corporation was formed in 1983 to foster the expansion of exports of manufactured goods, commodities, and services. The corporation was to establish a source of funding credit guarantees and insurance to support export development not otherwise available, particularly to small- and medium-sized businesses. This source of funding was not established. The nine-member board of directors consists of the Secretary of State, the Comptroller of the Treasury, the State Treasurer, the Commissioners of Finance and Administration and Economic and Community Development, and four members appointed by the Governor. The corporation, created in 1983, was inactive by 1987.

Energy Advisory Board

Authorized by Section 4-3-714, *Tennessee Code Annotated*, the Energy Advisory Board has the following duties:

- To advise and assist the commissioner to effect energy policy recommendations and to evaluate key policy decisions of federal agencies and others that may have a large effect on the state.
- To cooperate with and advise the Tennessee Valley Authority (TVA) on policy and programs, such as the nuclear power program, and decisions concerning the refitting, life-extension or mothballing of coal-fired plants, as well as other TVA decisions which have a direct impact on the economic well-being of the state.
- To solicit and evaluate proposals for a state coal research and technology center and to provide oversight for it once established (the center was never established).
- To meet annually with the Governor and commissioner to report its energy policy findings, specifically TVA policies.

The board's seven Governor-appointed members are required to have experience in the energy field. Although required to meet twice a year, the board did not meet in 1997 but did meet twice in 1998. According to the department, the board reports to the Governor at his yearly summit and advises TVA through the Governor. However, the board does not provide written reports of its advice. Although not required by law, the board hosts an energy forum every other year that brings together different energy industries for an exchange of information.

International Trade and Export Development Advisory Council

Authorized by Sections 13-27-203, 204, and 206, *Tennessee Code Annotated*, this council serves as an advocate for promoting and obtaining programs and services to enable small- and medium-sized companies and farms to compete in foreign markets. The council is to meet quarterly and to file annual reports with the Governor and General Assembly. The council consists of one state senator appointed by the Speaker of the Senate, one state representative appointed by the Speaker of the House, and seven individuals appointed by the Governor from the private sector. Of these seven, at least one must be from the following backgrounds: (1) private enterprise export trading operation, (2) international banking and finance, (3) freight forwarding and shipping business, (4) international law, (5) farmer with export experience, and (6) agribusiness export trading operation. The Commissioners of Agriculture and Economic and Community Development serve as *ex officio* nonvoting members.

According to the department's export office and the council, the department has given little verbal or financial support to the council in past years. As a result, the council meets only once or twice a year and has filed no annual reports. The council chair questions whether the council is necessary and believes that unless the department shows a stronger financial commitment to international affairs, the council will not be a useful resource.

Recommendation

The General Assembly may wish to consider terminating the Tennessee Growth Fund and the Tennessee Neighborhood Development Corporation.

The General Assembly may wish to consider amending the authorizing statutes for the Tennessee Competitive Export Corporation, the Energy Advisory Board, and the International Trade and Export Development Advisory Council to delete these entities from state law.

Management's Comment

We concur with the recommendation of termination of the Tennessee Growth Fund, Tennessee Neighborhood Development Corporation, Tennessee Competitive Export Corporation, Energy Advisory Board, and International Trade and Export Advisory Council.

RECOMMENDATIONS

LEGISLATIVE

This performance audit identified areas in which the General Assembly may wish to consider statutory changes to improve the efficiency and effectiveness of the Department of Economic and Community Development's and the related entities' operations.

1. The General Assembly may wish to consider the future of the Tennessee Child Care Facilities Corporation. Options include allowing the present level of activity to continue, increasing funding, or discontinuing the program.
2. The General Assembly may wish to consider putting the Child Care Facilities Corporation in the Sunset law with a termination date.
3. The General Assembly may wish to consider terminating the Tennessee Growth Fund and the Tennessee Neighborhood Development Corporation.
4. The General Assembly may wish to consider amending the authorizing statutes for the Tennessee Competitive Export Corporation, the Energy Advisory Board, and the International Trade and Export Development Advisory Council to delete these entities from state law.

ADMINISTRATIVE

The following areas should be addressed to improve the efficiency and effectiveness of the Department of Economic and Community Development's operations.

1. The department should adhere to statutory guidelines when awarding TIIP money.
2. The department should ensure Industrial Training Services funds are used only for training projects.